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### FOODS GO TO MARKET

The other day I ran across some really astounding population figures. They show, I think, just how fast we're being catapulted through the 20th century -- and how fast the consuming public is changing as we go.

Did you know that two out of every three Americans living today are too young to remember World War I? That half of us were not yet born when the stock market crashed in 1929? And, most amazing to me, that to nearly one out of every four Americans even the Korean War is ancient history?

A fourth of the population can't remember the Korean War! This means they've grown up only in the last twelve to fifteen years, the period of greatest prosperity -- and technological innovation -- in our history.

Unfortunately, because they have no basis for comparison, these young people have missed one of the real success stories of recent years -- the evolution, indeed, the revolution in our food marketing system.

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Remarks by Deputy Assistant Secretary of Agriculture Trienah Meyers at the annual convention of the Illinois Home Economics Association, Pick Congress Hotel, Chicago, Illinois, Saturday, October 30, 1965.

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Today's young homemakers, and most are young (half of all consumers are under 28) have always shopped in supermarkets. In these supermarkets they've always had 6,000 to 8,000 or more items from which to choose.

Incidentally, 40 percent of these items have reached the supermarket shelf only since 1953; 60 percent are new since World War II. Yet these thousands of items are only the top of the iceberg. A USDA study shows that over 5,000 new food items were introduced in 1963 alone. But only 1,800 were accepted for sale by grocers. And of these only 500 survived more than a year.

The third of us who can remember World War I can recall when a fresh orange in the Christmas stocking was a real treat. Thanks to improvements all along the line in the production and marketing of citrus, including refrigerated trucks and rail cars and better handling and storage, today's young homemakers have always had fresh oranges year round. Similarly, they've always bought milk in disposable cartons. They've always been able to select from a variety of pre-cut, pre-cooked, pre-packaged convenience foods. They've always known about processed potatoes, TV dinners, brown-and-serve rolls.

On the health side, the half of us who remember the twenties may recall that some food producers of the period became adept at circumventing the Food and Drug Act of 1917. Because of this, a number of sprayed foods were considered a hazard. And commercially canned foods, by and large, were still somewhat suspect.



In contrast, today's young homemakers have always been protected against such things by a number of industry and government controls -- milk, meat and poultry inspection, pure food laws, and the like.

In other words, much of the national population doesn't know, in fact, can't know from experience, the countless innovations in marketing that have brought us the bountiful array of foods in today's supermarket. Part of this unknowing group are the young women many of you are now teaching to become the better homemakers of tomorrow.

Let's take a look at some of the marketing changes that have literally changed the way homemakers spend their time -- or actually save it.

Today's homemaker, unlike her mother, certainly unlike her grandmother, shops only once or twice a week. For one thing she has a car -- still something of a luxury a generation ago -- and she can carry home more groceries on each trip to the store. For another thing, she has a refrigerator and probably a freezer. So she can preserve what she does buy longer.

She buys most of her foods at a single store. Gone are the separate stops at the butcher's for meat, at the bakery for bread, at the drugstore for ice cream. Gone, too, are the bushel baskets of lettuce and peaches and other fresh produce sitting in the sun outside the corner grocery. This open-air display of perishables may have been convenient for the small grocer with limited indoor space. But it took its toll in terms of fast spoilage -- to say nothing of insect and dust damage.

Everything is now cleaned and packaged and displayed side by side in the supermarket. And everything includes all the things that get added to the grocery bill that aren't foods at all -- laundry soap, floor wax, children's socks, even Hi-fi records and encyclopedias. About 20 percent of the average grocery bill -- the bill we tend to think of as the family food bill -- is made up of items to wear or read or listen to or clean house with. We certainly don't eat them. I know I was surprised to find we buy through the supermarket three-fourths of all pet foods sold, two-thirds of the toothpaste, half the aspirin and baby powder.

Today's homemakers also get fringe benefits when they shop for food. Most supermarkets provide free parking, free check cashing services, air-conditioned comfort in summer, hot coffee served to customers in winter. There are loudspeakers to report lost children. And there are sample demonstrations to let homemakers taste and evaluate new foods before they buy.

I might mention, too, some of the innovations in unrelated fields that have been put to imaginative use by the food or food-related industries.

Teflon, the new easy care coating for cooking utensils, was developed by the Air Force as a heat retardant to help solve the reentry problem for ballistic missiles.

Soundwaves adapted from military radar and sonar are now being used on the assembly line to settle the contents of packages containing such bulky products as corn flakes. This way the package can be fully

filled by the manufacturer. And it should do away with consumers complaints about "half-empty" boxes.

On the assembly line, too, magnets are being used to remove impurities from food and pull the foods along the line at the same time.

Originally developed for spraying insecticides, aerosol containers are now used by the food industry to dispense such things as whipped cream and cheese spread.

Although still experimental, atomic radiation is reducing spoilage in strawberries and other fresh fruits and vegetables. In time homemakers will undoubtedly find strawberries and other fresh commodities cheaper in their retail stores -- thanks to another peaceful use of atomic power.

Now let's see what some of the innovations in food marketing have meant in terms of prices consumers pay for food. While our overall cost of living has climbed steadily in recent years -- as have wages and per capita income -- some changes in the way foods are marketed have actually reduced their cost to consumers.

One example that immediately comes to mind is the paper carton for milk. Not too long ago most homemakers relied on daily home delivery of milk in returnable bottles. When the throwaway paper carton was introduced, retail food stores found it easier to handle milk. And homemakers have benefited. In 1964, for example, milk in half-gallon cartons cost 5 cents less in retail stores than it did home-delivered. (This is a national average.) As a result, most retail milk is now sold through grocery stores and the half-gallon size has replaced the quart in sales volume.



Speaking of milk, I'd like to mention that the change in the way we buy it has changed the way we pay for it. When milk was delivered to the house, we paid the dairy or route salesman at the end of the week or month. When I was buying milk this way I know I didn't think to add this separate bill to what I spent at the grocery. The same was true of the butter and egg man who came around weekly. Nowadays, milk and butter and eggs are part of our weekly expenditures at the supermarket. They seemingly add to the total bill. They really don't. We're just paying for them differently.

Let's look at another striking example of how innovations in the food industry have cut consumer costs. Take chicken. Today frying chickens cost the consumer 15 cents a pound less than 10 years ago.

Back of this price cut are many changes in the way poultry is produced and marketed -- even in the birds themselves. Geneticists developed breeds of birds that gained more on each pound of feed. Poultry growers mechanized production. The food trade used USDA inspection and grading services to make marketing easier. And it's obvious that consumers have recognized chicken is a bargain. Today we eat about 10 pounds more per person than we did as recently as 1955.

The convenience foods -- the prepared cake mixes, the frozen vegetables, the oven-ready pizzas and a host of others -- have done more perhaps than anything else to save time in the kitchen. And time is a precious commodity for all of us these days, but especially for wives who work -- as one in every three American wives now do.

I remember when my mother used to buy green peas fresh. They had to be shelled and washed and inspected for spoiled ones. Today



I buy peas frozen -- they go directly from package to pan and take five minutes to cook. Most consumers seem to have made the same discovery. It's been years since I've seen fresh peas on the produce counter.

Economists have figured out that the homemaker earns 34 cents an hour when she makes her own yeast rolls, even using electric kitchen appliances. This is what she saves on ingredients, compared with buying precooked rolls.

What's more, studies have shown that some convenience foods are actually cheaper than the same foods bought in the fresh or unprocessed form. For instance, frozen orange juice is cheaper than fresh. Frozen lima beans cost less than fresh. Canned corn, canned spinach, canned asparagus, spaghetti and beef stew are all better buys than their fresh equivalents or the various ingredients to make them.

Let me hasten to add, however, that most convenience foods do cost a little more -- if everything is kept constant except the convenience features. Everything, in this instance, means the product's weight is kept constant, its storability is the same and so on.

Clearly, it costs more for the extra services that make convenience foods convenient. Someone, somewhere in the marketing system has washed and cut and cooked and combined and packaged them. Someone has removed the waste -- bones, peels, seeds and the like. Someone has produced a product of uniform quality -- one the homemaker knows will look and taste the same every time she buys it.

In some cases all these built-in services add to the cost of the final product. In others, processing reduces the weight of the product --

this means lower transportation costs. Processing improves the storage life of many foods. This means we can use sources of supply in more remote growing regions where production costs are lower. Savings in these and other ways often offset most or even all of the costs of the extra services that go into convenience foods.

Still, for today's foods in their many varieties and convenient forms, the homemaker spends less of the family's take-home pay than at any time in the past. In 1950 she spent 23 percent of it on food. Today she spends slightly more than 18 percent.

This isn't to say that food costs haven't gone up over the years. They have -- although not as much as many consumer items. We're spending about 16 percent more per person for food today than we did in 1955. But our incomes have jumped 35 percent in these 10 years -- more than twice the increase in food expenditures.

Also, this 16 percent rise in food expenditures reflects our shift to higher quality -- and higher value -- foods. Almost fifty cents of every dollar we spend on food goes for meats, fruits, and vegetables.

With all this in mind, I was somewhat disturbed by the findings of a recent survey by a reputable organization. Between June last year and June this year the cost of living went up about 2 percent. The researchers asked homemakers across the country if they had noticed any price increases, and if so, in what items.

The survey showed that the great majority of women had spotted the price increases in food and clothing. But most had failed to notice rising costs of transportation, medicine, rents, and personal care.



In a way I suppose this is a natural reaction. Food and clothing are the two necessities that homemakers purchase most often for their families. They're more apt to know the retail prices of food and clothing than, say, kitchen appliances or carpeting.

I'm inclined to think, too, that they have a price range in mind when they shop for each of the basic food items. If the price of bacon, to take just one item, goes above this mental price ceiling -- because of short supplies -- then the homemaker is reluctant to buy. If the price falls to an unusual low because of abundant supplies, consumers will buy more. But she may not always conscientiously remember the times when it's a real bargain.

We are probably more aware of the prices of specific foods because we shop for them frequently. What is more, we most often buy them for cash. And it's usually the cash left over after the rent or house mortgage, life insurance, washing machine, TV set, and other long-term commitments have been worked into the family budget.

So food prices are most important to homemakers, and they naturally wonder why prices change from month to month, even from week to week. They don't always understand because they aren't aware of many aspects of food marketing -- all of the constantly shifting variables that go to make up retail food prices.

The Department of Agriculture is trying in many ways to help homemakers understand. And I ask your help in this effort. Those of you working with young women in the Illinois schools can do much to assist us. For you are in day to day contact with the youngsters who will be setting up their own homes in the next few years.

We might start with a concept that's pretty basic, but one that tends to be overlooked. And that's the old principle of supply and demand. It's still one of the chief factors in determining what food costs are at any given time.

American farmers have done an outstanding job in putting their own technological revolution to work for the consumer. Today they produce more food than ever on less acreage and at lower unit cost, thanks to better machinery, better seeds and fertilizers, better cultivation, harvesting and management techniques.

However, along with the rest of us, farmers haven't learned to control the weather. When a freeze destroys a large part of the Florida orange crop, there's a shortage of oranges in city food stores. And with fewer oranges around to buy, prices go up. Supply and demand at work.

Earlier this year high-quality beef was in short supply and prices climbed. Normally, when this happens consumers switch to other meats, especially pork. But this time pork supplies were very short and prices were substantially above last year's. Again, supply and demand at work. But with both pork and beef prices up, homemakers were more conscious than usual of the increases.

An interesting sidelight, I think, is the fact that consumers went on buying beef, apparently substituting hamburger and other lower value cuts for the scarce high value cuts like steaks and roasts. As a result, the price of beef was higher this year than last even though the total supply of beef was about the same, and we are eating about as much this year as last.



It seems to me that prices are a relative -- almost a subjective -- sort of thing. Beef prices were high early this year relative to last year when they were down to the lowest level since 1957. However, beef prices were actually higher in 1962 than they have been at any time this year. But how many of us are likely to remember what prices were three years ago?

Another thing we'd like homemakers to understand is that the gradual rise in food costs over the years hasn't meant higher incomes for farmers. True, cattle producers have benefited from the recent upswing, however temporary, in retail beef prices. (Last year, when prices were down, their income was less than usual.)

By and large, farmers get less for what they grow today than they did 15 years ago. Most years they've gotten less of each dollar the consumer spends for food. Last year their share was down to 37 cents. The other 63 cents went toward the cost of assembling, transporting, processing, wholesaling, and retailing food -- that is, the marketing system.

As a result, fewer than 400,000 farmers out of three and a half million earn a wage comparable to that of a skilled industrial worker. Fewer than 400,000 (11 percent of all farmers) get as much as a 5 percent return on investment. In fact, most farmers don't earn the federal minimum wage. Meanwhile, like all consumers, they have to pay more for clothing, automobiles, education for their children, and other family needs.

Now let's look at the much larger share of the consumer's food dollar -- the 63 cents -- that goes for marketing services.

First, homemakers should know that the food marketing industry, along with the steel and automobile industries and a few others, is a cornerstone of the American economy. It's one reason we have a prosperous and expanding economy. The cost of marketing domestically produced foods last year amounted to \$47 billion. The food marketing industries provide jobs for nearly 5 million people.

Labor costs account for 45 percent of the total marketing bill. But here are 5 million people who, like all Americans, aspire to an increasingly higher standard of living -- a larger home, a better education for their children, more travel, more leisure. These aspirations have been translated into better wages all along the line. However, marketing costs and retail prices did not increase nearly as fast as wages because workers increased their output by a substantial amount.

Transportation is another item in the retail cost of foods that homemakers should think about. It accounts for about 10 percent of the marketing bill. Transportation rates are one cost item for food companies which has actually declined in many instances since 1958, and we are getting better services, too.

The fresh fruits and vegetables in our supermarkets look -- and are -- fresher these days than they used to be. The big reason is the advent of in-transit refrigeration -- by rail, truck, even air. Newer still is the practice of flooding truck interiors with nitrogen gas to keep perishables fresher en route. And the piggybacking of trucks on railroad flatcars is giving us faster delivery from farm to produce counter.

About 40 percent of the marketing bill goes for packaging, advertising, depreciation on equipment, and other marketing costs. The remaining 5 percent is what is left to the food marketing industry as profit. But this is profit before taxes.

Let's look at this business of profits for a moment. When food prices go up, does the food industry make more money? This is undoubtedly a question many homemakers have asked themselves.

Well, I have the preliminary figures for 1964 for eight large retail food chains. And the figures show that their net profits as a percent of sales haven't changed at all since 1957 -- each year they've run about 1.2 percent. Profits for food manufacturers have also remained relatively stable since 1957. They ranged from 2.1 to 2.5 percent of sales.

To sum up then, the economics of food marketing -- no doubt a dull or even deadly subject to many homemakers -- is really a vital, tangible sort of give-and-take business:

-- We eat better than we used to. We pay a little more for the privilege. But since our incomes have gone up faster than food costs, we're spending a smaller share of what we earn for better meals.

-- When supply and demand don't balance, food prices are going to change, sometimes up, sometimes down. We notice when they go up. We should also notice when they go down.

-- The food marketing industry is composed of people who, like us all, are trying to manage a little higher standard of living. When their wages rise, retail food prices are going to rise. However, both wages and profits are still lower in food marketing than in many industries.



-- The gradual increase in retail food costs we have experienced for the last 15 years has been due entirely to the growing costs of marketing. Farmers didn't share in that increase. However, mostly because of meat prices, it looks like farm income will be higher this year than last.

In closing I'd like to urge homemakers to practice a little give-and-take economics of their own. They'll get more for their food dollar if they do.

Watch the newspaper ads. Plan meals around sale items, especially meats and fruits and vegetables since they take nearly half of every dollar spent. Shop around the neighborhood stores. But don't shop all over town. Studies show you'll spend more time than you save money. Know what you're going to buy before you shop. Impulse buying is expensive.

Of course, it's possible that the individual homemaker can shop carefully and still spend considerably more than 18 percent of her husband's take-home-pay for food. Food costs will be higher if she and her husband entertain a lot. They'll be higher if she and her husband consider food one of the real amenities of life and buy accordingly.

Last, but foremost, there's the family itself. The number of children and their ages make a tremendous difference in how much an individual family spends on food. We did a year-long study of food prices in a typical American town of some 125,000 people. We found that when a couple is first married they spend about \$19 a week for



food. The first child adds about \$3 a week to the bill. With the second child the weekly food bill jumps to \$26. By the time these two youngsters are in their late teens the homemaker is spending about \$36 a week -- twice what it cost when she and her husband were first married. These figures assume food prices didn't change through the years and that the family ate the same moderately priced selection of foods all along.

So, as you can see, there are many, many variables that go to make up our food bill. Some variables are beyond the homemaker's control. We want homemakers to understand these variables -- things that make up the basic economics of food marketing. At the same time we urge them to practice some practical economics of their own. Both the food industry and the consumer will profit.

